AR75

2001 Annual Report

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

RAYDAN MANUFACTURING INC.

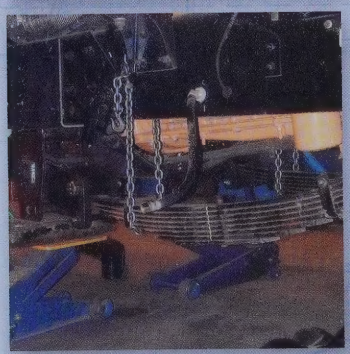
Air-Link™
• THE AIR-RIDE WALKING BEAM •

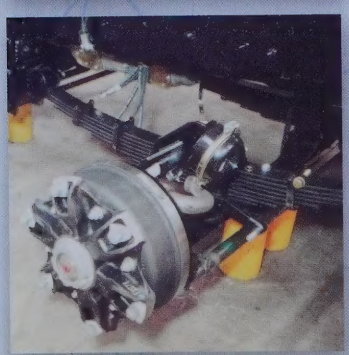
Working in Tandem
• THE TANDEMIZATION EXPERTS •

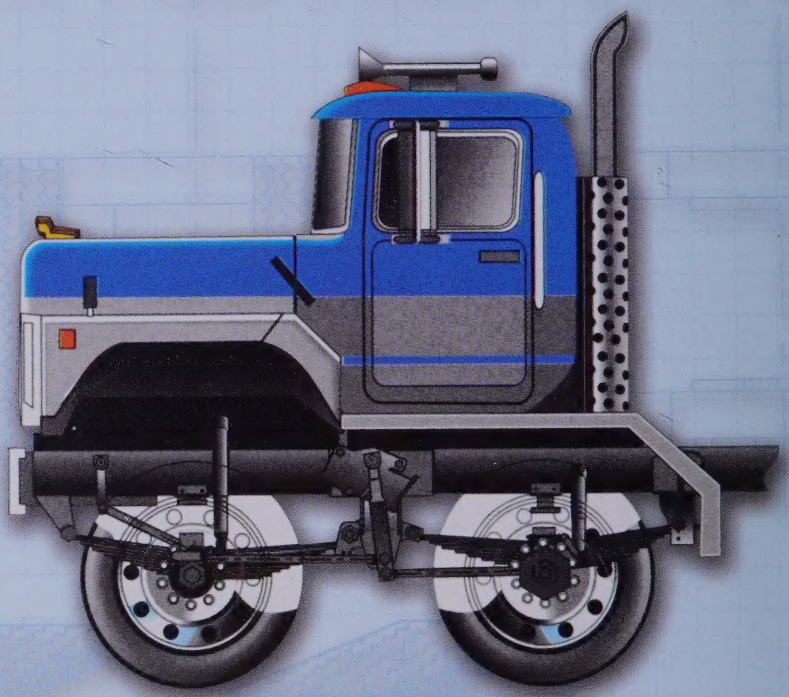
Easy Slider™
• THE SLIDING KINGPIN SYSTEM •

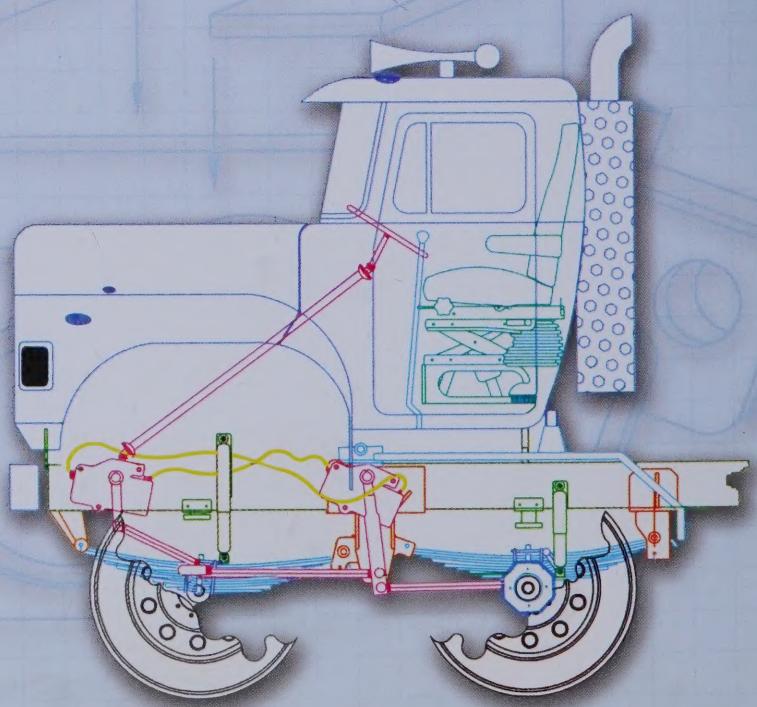
Working in Tandem

• THE TANDEMIZATION EXPERTS •



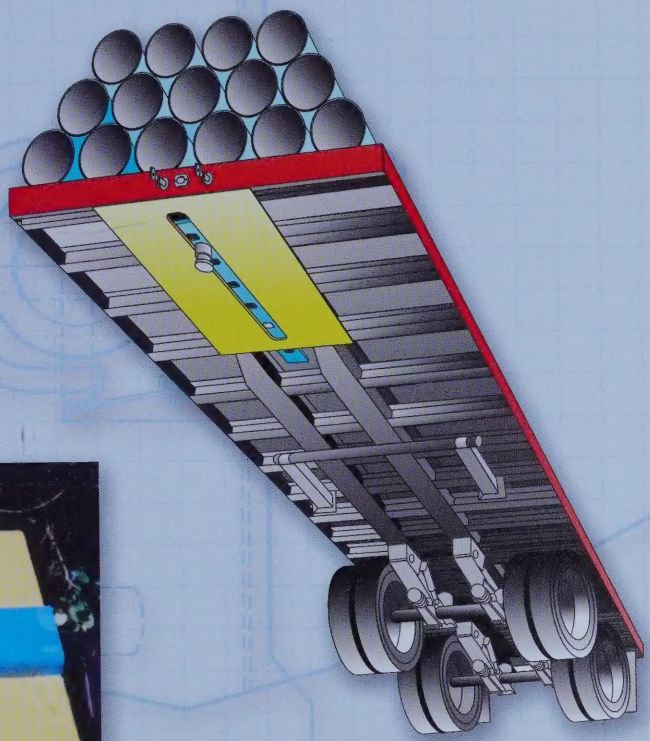






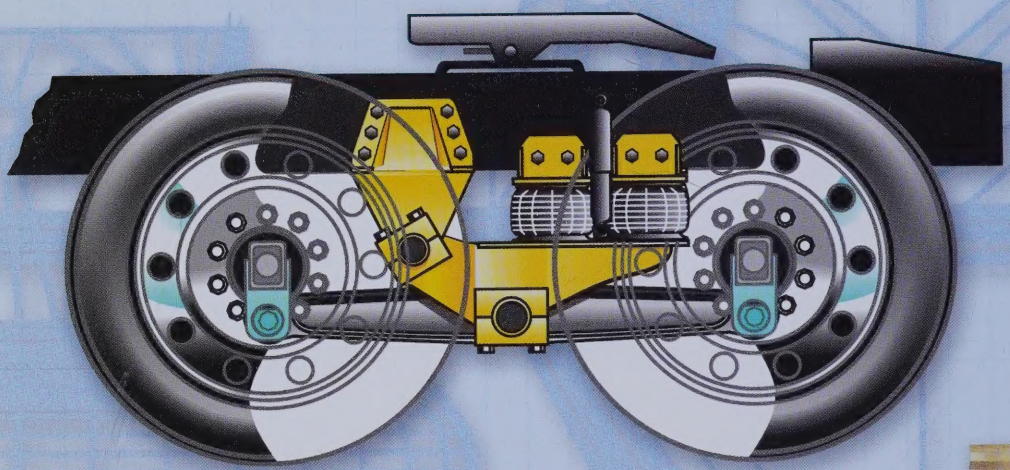
Easy Slider™

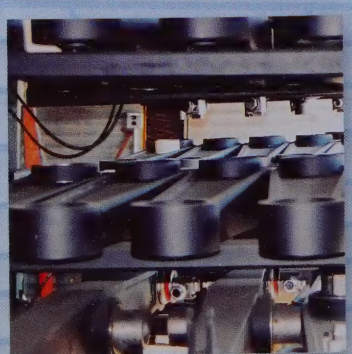
• THE SLIDING KINGPIN SYSTEM •



Air-Link™

• THE AIR-RIDE WALKING BEAM •





Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

RAYDAN
MANUFACTURING INC.

MESSAGE TO THE SHAREHOLDERS

Raydan Manufacturing Inc is a Nisku based producer of specialized suspensions and coupling systems for trucks and heavy equipment. In addition, Raydan operates a full parts, service and repair facility from a fully modern 23,000 square foot shop and office complex. The Company specializes in the following:

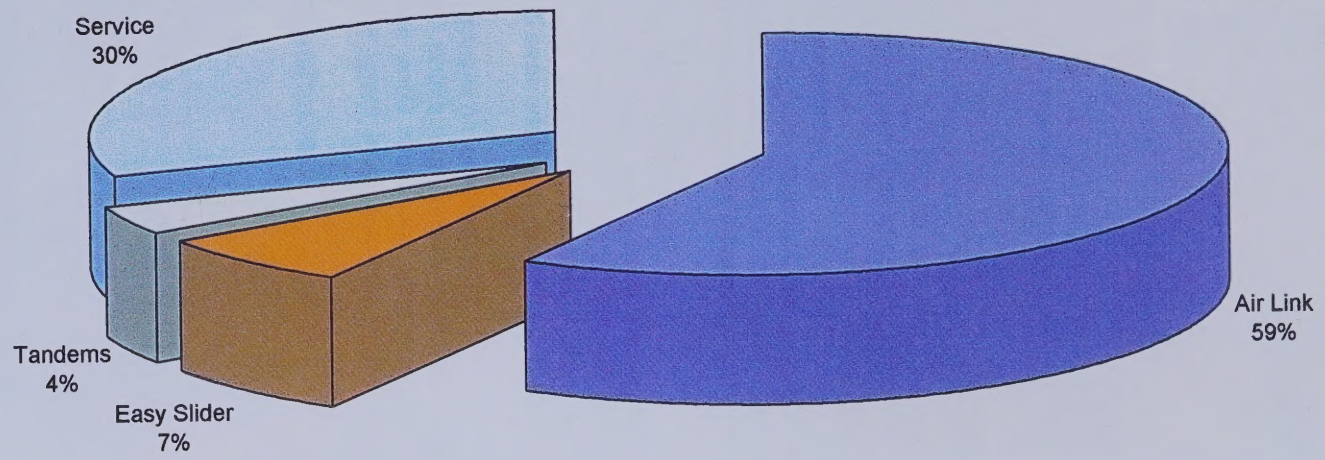
Air Link – an air ride walking-beam suspension system designed for use in tandem axle equipment ranging from highway trucks to vocational trucks, truck cranes, military vehicles and other severe service equipment. With only two moving parts, Air Link offers low maintenance, improved stability and traction, as well as a smoother ride. It can be installed as a retrofit or on original equipment.

Easy Slider – a sliding kingpin assembly that permits the coupling system on a fully loaded semi-trailer to move without disconnecting the trailer. The system allows easy shifting of loads and adjustment of the truck-trailer length to meet varying conditions, payloads and vehicle length requirements.

Twin Steer Conversions – the installation of an additional steering axle to tandemize the front ends of severe service trucks. The completed unit allows truckers to improve weight distribution and enables trucks to carry heavier payloads while still meeting licensing requirements.

Parts and Service – a full heavy-duty truck and trailer repair center, which supplies a wide variety of parts and services to the Nisku Industrial Park and surrounding area. Most recently, Raydan has been selected as an authorized Mack Truck parts dealer, offering genuine Mack products.

Product Mix
2000 - 2001



CORPORATE PROFILE

Raydan was established in 1992 to bring innovative, quality products to the heavy transportation industry. The product line was introduced to the US market in June 1995 at the International Truck Show. The Company has experienced positive development and growth to become a leading exporter to an ever-expanding customer base, resulting in consistent sales growth averaging 50% over the past three years. Raydan sells most of its production in the US and has established distributors in Mexico, Australia and New Zealand.

Our dedicated employees are the company's most vital assets. Their diligence, vision and hard work contribute greatly to our continuing success. We will continue to invest in the well-being and training of this dynamic group of individuals in a joint effort to provide a safe and comfortable workplace for all of us.

FINANCIAL RESULTS

The sales growth in 2000 – 2001 came from a number of areas. Air Link sales increased with the introduction of the suspension to the crane industry assembly line. Trial orders from Mexico and Australia were shipped in the early part of the year. Sales to truck spring shops remained consistent with previous years. Easy Slider sales improved considerably due to a new direction in our marketing. The US auto carrier market makes up 95% of the increase in sales of this product. Twin steer conversions of trucks increased substantially in the last two quarters of the year. Despite the softening of the economy of both the United States and Canada, Raydan has continued to grow through the introduction of the Air Link into new models and by improved product design of existing models.

A sales comparison of the fiscal years 2000 – 2001 shows a 54% increase based on actual sales totals

- Sales - 2000 $3,784,333
- Sales - 2001 $5,825,599

The Corporation's working capital increased by $533,822 as demonstrated below

- Working capital - fiscal year 2000 $178,057
- Working capital – fiscal year 2001 $711,879

OVERVIEW

The outlook for increased growth of sales of the manufactured product is excellent.

- The Air Link suspension is standard equipment on many models of truck cranes of up to 140 tons made by the three major North American crane manufacturers. Presently, this market is at the lowest level in twelve years and is expected to rebound in the coming year.

- Raydan is working with several of the major truck manufacturers in an effort to bring the Air Link to their assembly lines. These projects will proceed when economically viable.

- From the oldest to the largest, leading US fire and rescue vehicle manufacturers now offer Air Link on-line, with several more manufacturers scheduled to come on board by fall 2001.

- Air Link and Easy Slider are available, as options or as original equipment, through a number of manufacturers, dealers and distributors throughout North America. Thereby, the products gain wide national and international exposure and a great number of potential sales.

- Raydan is participating in a number of retrofit programs with various cities and municipalities to equip units from transportation, fire and sanitation departments with the Air Link suspension. Field tests are currently underway in several areas in various applications.

- Following rigorous testing, the Air Link has been designated as standard equipment for use in the HLVW (Heavy Logistic Vehicle Wheeled) wrecker by the Canadian Armed Forces. As well, Air Link has been approved as an on-line option on new trucks purchased by the Canadian military. Raydan is a registered supplier to Public Works and Government Services Canada and has been issued a certificate for the Controlled Goods Registration Program.

- Raydan has supplied the Air Link suspension to a several branches of the US military. Air Link equipped units can be found on bases from Fort Eustis, Virginia to Carson City Nevada, from White Sands, New Mexico to Warren, Michigan. Prospective future sales are undetermined at this time.

CLOSING

Raydan's willingness to look for challenges has successfully taken our products from the test centers of the Canadian and the United States military to the logging roads of South Africa and all the way to the oilfields of Siberia. While some manufacturers may back away from the unknown, Raydan has the faith in its technology to meet new challenges and forge ahead where others may have been unable to succeed.

Our products are innovative and the company is aggressive. As we situate ourselves in the marketplace, we look forward to bringing you announcements of our progress. We will focus on continuing to work in specialized areas, including sanitation, fire and rescue and the various divisions of the military to avoid being caught in the variables of the economy. We are concentrating on accelerated, manageable growth in order to provide the best return to our shareholders.

_____

Ray English
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion of the Company's financial results, position and prospects should be read in conjunction with the consolidated financial statements of the Company for the year ended April 30, 2001 and the accompanying notes.

Overview

Raydan Manufacturing Inc has four main avenues of revenue generation:

Product	% of Revenue 2001
• Air Link, the air ride walking beam suspension	58%
• Easy Slider, the sliding kingpin system	7%
• Tandemization, addition of an additional steering axle	4%
• Parts and Service, a full heavy duty equipment repair center	31%

The manufactured products are Air Link and Easy Slider, which account for 65% of the Company's overall revenue and are sold nationally and internationally. Tandemizations are performed at the Nisku facility for customers throughout Canada and the US on new and used equipment. The parts and service complex serves the area surrounding the Nisku Industrial Park including Leduc and district, the Edmonton International Airport and South Edmonton. The Company is focused on expanding the parts and service customer base to develop diversified revenue sources that are not dependent on the oil industry. To this end, a number of companies located at the Edmonton International Airport have been successfully courted, resulting in less dependence on an energy-fueled economy.

Results of Operations

Total sales for the current year were $5,825,599 compared to $3,784,333, an increase of 54%. This upward trend can be attributed to the addition of several new models of cranes equipped with Air Link and sales of Easy Slider to the US car carrier industry. A net income comparison of the years 2000 at ($11,477) and 2001 at $603,877 dramatically demonstrates this positive growth.

Cash flow improved sufficiently to allow the Company to considerably expand its Nisku facility and to purchase new equipment. The addition allows the Company to handle increased production of manufactured product, as well as providing a larger, more efficient working area for the service shop.

A significant reduction of expenses was achieved in several areas. Labor costs were reduced by 10% due to increased efficiency of the entire staff. Cost of sales decreased nearly 10% as a result of increased production of manufactured product.

Substantial Event

By way of an initial public offering that closed June 18, 2001, the Company succeeded in generating gross proceeds of $1,218,517. These funds will be used to reduce the Company's debt, to further expand the Nisku facility and for future research and development.

MANAGEMENT RESPONSIBILITY STATEMENT

The management of Raydan Manufacturing Inc. is responsible for preparing the financial statements, and the notes to the financial statements and other financial information contained in this annual report.

Management prepares the financial statements in accordance with Canadian generally accepted accounting principles. The financial statements are considered by management to present fairly the company's financial position and results of operations.

Management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that company assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the consolidated financial statements.

The financial statements have been reported on by Watson Aberant LLP, Chartered Accountants, the shareholders' auditors. Their report outlines the scope of their examination and their opinion on the financial statements.

Treasurer

"Dan English"

President

"Ray English"

Watson Aberant LLP
CHARTERED ACCOUNTANTS

4212 - 98 Street
Edmonton, Alberta
T6E 6A1

Telephone (780) 438-5969
Fax: (780) 437-3918
Email: watson_aberant@canada.com

AUDITORS' REPORT

To: The Shareholders of
Raydan Manufacturing Inc.

We have audited the balance sheet of of Raydan Manufacturing Inc. as at April 30, 2001 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2001, and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta, Canada
June 22, 2001

"Watson Aberant LLP"
Chartered Accountants

Raydan Manufacturing Inc.
Balance Sheet

As at April 30	2001	2000
Assets		
Current		
Accounts receivable (note 13d)	$ 1,486,541	$ 843,381
Work in progress	39,000	1,700
Inventory (note 3)	648,663	324,810
Prepaid expenses	92,611	5,657
	2,266,815	1,175,548
Capital assets (note 4)	881,265	704,150
Future income taxes	72,934	-
Patents (note 5)	215,000	245,000
Deferred development costs (note 6)	-	212,402
	$ 3,436,014	$ 2,337,100
Liabilities and shareholders' equity		
Current		
Bank indebtedness (note 7)	$ 274,474	$ 301,602
Accounts payable and accrued liabilities (note 8)	1,084,674	620,897
Income taxes payable	38,240	-
Current portion of long-term debt	157,548	74,992
	1,554,936	997,491
Long-term debt (note 9)	1,054,905	1,107,982
Future income taxes	-	9,331
	2,609,841	2,114,804
Substantial event and legal matters (notes 14 and 15)		
Shareholders' equity		
Share capital (note 10)	876,279	876,279
Deficit	(50,106)	(653,983)
	826,173	222,296
	$ 3,436,014	$ 2,337,100

Approved On Behalf Of The Board

Director "Ray English"

Director "Dan English"

See accompanying notes

Watson Aberant LLP
CHARTERED ACCOUNTANTS

Raydan Manufacturing Inc.
Statement of Income and Deficit

Year ended April 30	2001	%	2000	%
Sales	**$ 5,825,599**	*100.0*	$ 3,784,333	*100.0*
Cost of sales (schedule 1)	**4,542,513**	*78.0*	3,301,994	*87.3*
Gross margin	**1,283,086**	*22.0*	482,339	*12.7*
Selling and administrative expenses (schedule 2)	**723,234**	*12.4*	501,972	*13.3*
Income (loss) before income taxes	**559,852**		(19,633)	
Income tax recoverable	**(44,025)**		(8,156)	
Net income (loss) for the year	**603,877**		(11,477)	
Deficit, beginning of year	**(653,983)**		(642,506)	
Deficit, end of year	**$ (50,106)**		$ (653,983)	
Earnings (loss) per common share	**0.060**		(0.001)	

See accompanying notes

Raydan Manufacturing Inc.
Statement of Cash Flows

As at April 30	2001	2000
Cash flows from operating activities		
Cash receipts from customers	**5,307,439**	3,251,471
Cash paid to suppliers and employees	**(4,911,375)**	(3,409,796)
Interest paid	**(126,849)**	(103,284)
	$ 269,215	$ (261,609)
Cash flows from investing activities		
Sale of capital assets	**500**	3,612
Purchase of patents	**-**	(50,000)
Purchase of building	**(220,394)**	-
Purchase of equipment	**(51,672)**	(12,133)
	(271,566)	(58,521)
Cash flows from financing activities		
Payment of conditional sales agreement	**-**	(8,534)
Payment to related company, net	**-**	(145,339)
Increase in long-term debt	**29,479**	122,985
Proceeds from share issuances	**-**	358,268
	29,479	327,380
Increase in cash	**27,128**	7,250
Bank indebtedness, beginning of year	**(301,602)**	(308,852)
Bank indebtedness, end of year	**$ (274,474)**	$ (301,602)
Cash flow per common share	**0.003**	0.001

See accompanying notes

Year ended April 30, 2001

1. Nature of operations

The company's primary operation is the manufacturing and marketing of air-based suspensions and king-pin systems for transportation and related industries. The company is an original equipment manufacturer selling proprietary products to world-wide manufacturers.

Raydan Manufacturing Inc. is incorporated under the Business Corporations Act of Alberta.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Outlined below are those policies considered particularly significant for Raydan Manufacturing Inc.

(a) Inventory

Inventory is comprised of raw materials and finished goods. Raw materials are valued at the lower of cost and replacement cost, and finished goods at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(b) Work in progress

The company values its work in progress at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(c) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the declining balance and straight-line method at the following rates:

Buildings	5 %
Shop equipment	20 %
Automotive	30 %
Computer equipment	30 %
Electrical signs	20 %
Display units	20 %
Display trailers	30 %
Leasehold improvements	5 years

Full amortization is taken in the year of acquisition and none in the year of disposal.

Year ended April 30, 2001

(d) **Patents**

Patents are recorded at cost. Amortization is provided over the estimated useful lives of the patents using the straight-line method over 10 years.

(e) **Future income taxes**

The company records future income taxes using the asset and liability method. Under this method, future tax assets and liabilities are determined based on the difference between the tax basis of an asset or liability and it's carrying value basis on the balance sheet. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(f) **Accounts payable and accrued liabilities (note 7)**

Accounts payable includes:

i.) Trade accounts payable and accrued liabilities;

ii.) Post sale expenses
Accruals for expenses which relate to current period sales but occur subsequent to the completion of the sale;

iii.) Note payable
Bearing interest at the Bank of Canada prime plus 1.5% with no fixed terms of payment which will be paid in the next fiscal year;

iv.) Directors' advances
Management intends to pay these advances in the next fiscal year.

(g) **Share capital**

The company follows the accounting policy of reducing the proceeds by the costs directly related to the issuance.

Year ended April 30, 2001

(h) **Deferred development costs (note 6)**

Change in accounting policy

The company has changed its method of accounting for deferred development costs effective from the beginning of the current fiscal year as follows:

i) Previous policy

The costs to develop two manufactured products and establish markets for these products were capitalized. Amortization was to be charged to operations when commercially viable sales and production levels were attained. As such, amortization of these costs were not charged to operations until the 1998 fiscal year. The product development costs were being amortized on the straight line method over ten years. The market development costs were being amortized on the straight line method over five years.

ii) Current policy

Deferred development costs were written down in full in the current year. (See note 6 and schedule 2 for the net effect of this change on current income).

(i) **Foreign exchange**

Monetary assets and liabilities of the Corporation which are denominated in foreign currencies are translated at year-end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

(j) **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. Actual results for future periods could vary from these estimates and the variances could be significant.

Year ended April 30, 2001

(k) **Earnings per common share**

Net income per common share has been computed by dividing income applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective years.

The potential effect of the exercise of options (see note 10) will not materially dilute the earnings per share.

3. **Inventory**

	2001	2000
Raw materials	$ 212,794	$ 145,753
Manufactured finished goods	352,109	103,339
Service finished goods	83,760	75,718
	$ 648,663	$ 324,810

4. **Capital assets**

			2001	2000
	Cost	Accumulated Amortization	Net	Net
Land	$ 116,251	$ -	$ 116,251	$ 116,251
Buildings	723,501	91,402	632,099	444,973
Shop equipment	150,057	65,630	84,427	50,331
Automotive	72,461	65,017	7,444	30,997
Office equipment	54,905	31,408	23,497	20,842
Leasehold improvements	-	-	-	21,321
Electrical signs	1,840	1,547	293	367
Display units	41,054	26,928	14,126	17,658
Display trailers	16,433	13,305	3,128	1,410
	$ 1,176,502	$ 295,237	$ 881,265	$ 704,150

Year ended April 30, 2001

5. **Patents**

	2001			2000
	Cost	Accumulated Amortization	Net	Net
Patent - Air Link	$ 250,000	$ 75,000	$ 175,000	$ 200,000
Patent - Easy Slider	50,000	10,000	40,000	45,000
	$ 300,000	$ 85,000	$ 215,000	$ 245,000

6. **Deferred development costs (note 2h)**

	2001	2000
Marketing development	$ -	$ 153,305
Wages	-	57,665
Engineering and testing	-	56,917
Rent and administration	-	35,122
Prototype materials and labour	-	30,413
	-	333,422
Less: accumulated amortization	-	(121,020)
	$ -	$ 212,402

7. **Bank indebtedness**

Bank indebtedness is secured by a general assignment of book debts, and a general security agreement providing a first fixed charge over all present and after acquired assets. The revolving bank loan has interest due monthly at prime plus 1.0%.

	2001	2000
Bank indebtedness	$ 34,474	$ 71,602
Revolving bank loan	240,000	230,000
	$ 274,474	$ 301,602

Subsequent to the year end, the bank has agreed to provide new banking arrangements to the company. As of the audit report date, the company is in compliance with all financial bank covenants.

Year ended April 30, 2001

8. **Accounts payable and accrued liabilities (note 2f)**

	2001	2000
Trade accounts payable and accrued liabilities	**$ 760,266**	$ 620,897
Post sale expenses	**125,000**	-
Note payable	**100,000**	-
Directors' advances	**99,408**	-
	$ 1,084,674	$ 620,897

The above items are listed as current payables as each item will be paid in full during the next fiscal year.

9. **Long-term debt**

	2001	2000
Bank loan, bearing interest at 8.0% , payable $4,638 in blended monthly principal and interest, secured by a general security agreement covering all present and after acquired property, term to February, 2002	**$ 699,770**	$ 474,774
Bank loan, bearing interest at prime plus 1.25%, payable $5,556 per month principal plus interest, secured by a general security agreement covering all present and after acquired property, term to December, 2001	**44,432**	111,104
Note payable, no fixed terms of repayment, payable interest only at the Bank of Canada prime plus 1.5%, (see note 8)	**-**	150,000
Government loan, blended payments (not to exceed a total of $500,000) are calculated as 1.5% of gross revenue and are due quarterly from July 1, 2001 until June 30, 2011. Current portion of blended payments are $110,000	**288,369**	208,811
Note payable, bearing interest at 8%, payable $5,650 in blended monthly principal and interest, due April, 2004	**179,882**	238,285
	1,212,453	1,182,974
Less: current portion due within one year	**(157,548)**	(74,992)
Due beyond one year	**$ 1,054,905**	$ 1,107,982

Year ended April 30, 2001

Anticipated principal repayments over the next five years are as follows:

2002	$ 157,548
2003	162,152
2004	154,027
2005	2,125
2006	2,295
Subsequent	734,306
	$ 1,212,453

Year ended April 30, 2001

10. **Share capital**

Authorized:
Unlimited number of common voting shares
Unlimited number of preferred shares

Issued:

	2001		2000	
	Number of shares	**Amount**	Number of Shares	Amount
Common shares				
Balance, beginning of year	**9,665,474**	**$ 876,279**	8,160,428	$ 518,011
Issuance of common shares at $0.30 per share per offering memorandum dated June 30, 1999	-	-	1,229,130	368,740
Issuance of common shares at $0.30 per share per licensing agreement dated September 8, 1999 (note 5)	-	-	166,666	50,000
Issuance of common shares at $0.30 per share per employment agreement dated April 15, 1999	-	-	72,917	21,875
Issuance of common shares at $0.30 per share dated December 21, 1999	-	-	30,000	9,000
Issuance of common shares at $0.30 per share dated January 6, 2000	-	-	6,333	1,900
	9,665,474	**876,279**	9,665,474	969,526
Less share issue costs	-	-	-	(93,247)
Balance, end of year	**9,665,474**	**$ 876,279**	9,665,474	$ 876,279

An option to acquire 82,840 common shares at $0.30 per share was extended to Wolverton Securities Ltd. As at the year end, this option has not been exercised.

Pursuant to employment agreement dated April 15, 1999, the company has agreed to issue 72,917 shares to an employee as follows:

	Number
November 1, 2001	72,917

The company will not receive any monetary consideration for these shares as per the employment agreement.

Year ended April 30, 2001

11. Income taxes

The Corporation's income tax expense for the years ended April 30 consist of the following:

	2001	2000
Earnings (loss) before taxes	$ 559,852	$ (19,633)
Combined federal and provincial tax rate	34.52%	N/A
Expected income tax expense	193,261	N/A
Future income tax benefit relating to the origination and reversal of temporary differences	(9,331)	(8,156)
Future income tax benefit resulting from the future income tax asset due to the non-capital loss carryforward	(72,934)	N/A
Income tax resulting from the application of non-capital loss carryforward	(68,805)	N/A
Income tax resulting from reduction in tax due to utilization of small business deduction	(86,216)	N/A
Actual income tax expense	$ (44,025)	$ (8,156)

For income tax purposes, the company has non-capital losses carried forward from prior years which may be applied to reduce future years' taxable income. These losses expire as follows:

2006	$ 381,456

The future tax asset of $72,934 is from the valuation of the non-capital loss carry forwards of $381,456 at 19%.

12. Economic dependence

Sales to one customer constitute 25% of current fiscal year sales of the company. The company's continued financial viability does not depend solely on this customer to operate in the normal course of business.

Year ended April 30, 2001

13. **Financial instruments**

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as a bank advances, accounts payable and accruals, and long-term advances and long-term debt which will result in future cash outlays.

a) Fair Value

The carrying values of the financial instruments noted above approximate their fair values.

b) Interest risk

The company manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

c) Currency Risk

Currency risk is the risk to the company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to foreign currency risk. Foreign currency is converted to Canadian dollars on a monthly basis. As at year end, the following assets and liabilities are carried in a foreign currency:

Accounts receivable	US$	750,019
Accounts payable	US$	16,007

d) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from its customers. In excess of half of the company's annual sales are from customers operating in foreign jurisdictions. The company does not use letters of credit or export credit insurance to reduce this risk.

The company is currently exposed to significant credit risk from one of its U.S. customers. Sales are made to this customer on trade account with no letter of credit. The company has chosen to self insure on this trade account. This customer has continued to honour its obligations to the company and the company has received orders until the end of the calendar year 2001. As at year end the company has accounts receivable from this customer of US$ 377,778 (CDN$ 592,091).

14. Substantial event

The company has filed a prospectus dated June 29, 2000 for an initial public offering to residents in the Provinces of Alberta and British Columbia of a minimum of 1,000,000 units (the "Units") and a maximum of 3,000,000 units at a price of $0.50 per Unit. Each Unit entitles the holder thereof to acquire one common share in the capital of the corporation and 1/2 of one common share purchase warrant of the corporation.

Each purchase warrant will entitle the holder to subscribe for one common share at an exercise price of $0.75 until one year after the date of the closing of the initial public offering.

The initial public offering commenced March 2, 2001 and closed June 18, 2001. The results of the initial public offering were as follows:

Gross proceeds	2,437,034 @ 0.50 per unit	$1,218,517
Less costs to issue		(143,060)
Net proceeds		$1,075,457

Year ended April 30, 2001

15. Legal matters

In 1999 an action was commenced against the company in the Federal Court of Canada alleging a patent infringement. The action relates to a front-end tandemization process which the company performs as a side line in its repair and service shop. The plaintiff patent holder seeks an injunction against the company to cease the alleged patent infringement and to account for all profits made pursuant to the alleged infringement. Management is of the opinion that the process used by the company is entirely different from the process alleged to be protected by the patent holder and the company has filed a statement of defence to the claim. As of the audit report date, the company is not party to any other material legal proceedings, nor are any material legal proceedings being contemplated by the company. Management is not aware of any material legal proceedings contemplated or threatened against the company.

16. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

Year ended April 30

Schedule of Cost of Sales **Schedule 1**

	2001	%	2000	%
Materials and supplies	$ 2,934,052	50.4	$ 1,815,882	48.0
Labour and benefits	915,193	15.7	1,003,535	26.5
Engineering	181,002	3.1	90,323	2.4
Travel and automotive	173,532	3.0	106,355	2.8
Occupancy costs	153,378	2.6	95,607	2.5
Amortization of capital assets	94,451	1.6	116,440	3.1
Royalties	60,905	1.0	43,852	1.2
Amortization of intangible assets	30,000	0.5	30,000	0.8
	$ 4,542,513	78.0	$ 3,301,994	87.3

Schedule of Selling and Administrative expenses **Schedule 2**

	2001	%	2000	%
Marketing	308,611	5.3	149,159	3.9
Office and miscellaneous	142,532	2.4	97,077	2.6
Professional fees	123,748	2.1	149,802	4.0
Interest on long term debt	84,413	1.4	66,665	1.8
Interest and bank charges	42,436	0.7	36,619	1.0
Bad debts	21,494	0.4	2,650	0.1
	$ 723,234	12.4	$ 501,972	13.3

Expenses included in cost of sales and selling and administrative expenses have increased in the current fiscal year to reflect the write-down of deferred development costs as follows:

Expenses	Deferred development costs included in total	
	2001	2000
Marketing	$ 97,661	$ -
Engineering	55,632	-
Labour	36,735	-
Occupancy costs	22,374	-
	$ 212,402	$ -

Corporate Directory

Board of Directors

Ray English
Chairman and Chief Executive Officer
Raydan Manufacturing Inc

Dan English
Secretary-Treasurer
Raydan Manufacturing Inc

John Babic, *B Com, BA*
Director
CEO, Hyduke Resources Ltd

Ralph Henderson, *B Com, FCA*
Director
President, R Henderson & Associates Inc

Len Jaroszuk
Director
President, Westone Ventures Inc

Bob Sparrow
Director
President, Nisku Truck Stop Ltd

Phil Stuffco, *BA, LLB*
Director
Solicitor, Private Practice

Annual General Meeting
Raydan's annual general meeting
will be held at 2:00 pm on
Wednesday, October 10, 2001
at the Delta Edmonton South
4404 Calgary Trail, Edmonton, Alberta

Associates

Bank
Canadian Western Bank
Main Branch, Edmonton, Alberta

Auditors
Watson Aberant LLP
Edmonton, Alberta

Legal Counsel
Wolff Leia Huckell
Edmonton, Alberta

Transfer Agent and Registrar
CIBC Mellon Trust Company
Calgary, Alberta

Stock Exchange Listing
Raydan Manufacturing is traded on the Canadian Venture Exchange under the symbol RDN. Fiscal year end is April 30. First, second and third quarters are July 31, October 31 and January 31 respectively.

Head Office
601 – 18th Avenue
Nisku, Alberta T9E 7T7
Telephone: 780-955-259
Facsimile: 780-955-2386
www.raydanmfg.com
investment@raydanmail.com

Parts & Service

• FOR THE SEVERE SERVICE INDUSTRY •

Mission

Raydan Manufacturing Inc. is committed to the design, development, manufacture and marketing of innovative products for the transportation industry.

Quality Policy

Raydan Manufacturing Inc. is committed to providing reliable, efficient and cost effective products of the highest quality to ensure ongoing customer satisfaction.

Vision

We will strive to become providers of the finest original equipment for all vocational vehicles while maintaining the highest quality products and service for all our valued customers.

RAYDAN MANUFACTURING INC.

601 - 18th Avenue • Edmonton, AB T9E 7T7
(780) 955-2859 • Fax (780) 955-2386 • Toll Free 1-888-472-9326
www.raydanmfg.com • info@raydanmail.com